

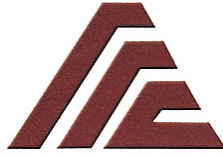
**WHAT'S HOT IN
CONSTRUCTION RISK MANAGEMENT SEMINAR**

***OWNER/CONTRACTOR CONTROLLED
INSURANCE PROGRAMS***

Presented by

**David M. O'Haren
Executive Vice President
Holder Construction Company**

Monday, November 11, 2002



ALLIED NORTH AMERICA
America's Construction Specialist™

Allied North America is a full-service insurance brokerage firm specializing in servicing the needs of the construction industry. According to *Business Insurance*, we are currently ranked the 40th largest insurance brokerage firm in the United States. Moreover, from a more specialized perspective, we are one of the largest independent surety and construction insurance brokerage firms in the country.

Allied has succeeded in the construction arena for one primary reason — we have remained focused on our core discipline — construction. Additionally, we have refined our approach to risk management to encompass a sophisticated combination of administration, loss control, claims management, and state-of-the-art technology. For years, we have emphasized that all of these ingredients are of equal importance for a successful, cost-effective risk management program. Based on our growth, our emphasis is paying off.

With offices in cities throughout North America, we have established a nationwide presence. Allied has offices in Georgia, New York, New Jersey, Texas, California, and Missouri, virtually everywhere the construction industry is its most active. We continue to expand our regional network each year.

Today, Allied is comprised of a group of companies that can strategically join forces to handle any variety of risk-related challenges. The solutions that arise out of its synergistic corporate culture provide our clients with many options, all aimed at sustaining the financial protection of their businesses.

We invite you to investigate the broad range of services offered by Allied North America, America's Construction Specialist. Please feel free to visit our Web site at <http://www.alliedna.com/>.

David M. O'Haren
Executive Vice President
Holder Construction Company

Mr. O'Haren is one of four panelists for Monday's "What's Hot in Construction Risk Management?" seminar. He is an executive vice president of Holder Construction Company, located in Atlanta, where he leads the company's Risk Management Department. He has been with Holder Construction Company for 14 years.

In his current position, Mr. O'Haren is responsible for a nine-member risk team that handles safety, loss control, property and casualty insurance, contract administration, and other operational risks. In addition to other operational initiatives, Holder's risk team has implemented a rolling CCIP program and a rolling Subguard program in the last several years.

Prior to joining Holder, Mr. O'Haren was an auditor with a national public accounting firm, where he earned his CPA certificate. His primary focus included audit clients in the real estate and construction businesses.

Mr. O'Haren is a member of the Board of Directors of the Georgia branch of AGC, United States Green Building Council—Atlanta Regional Chapter, and the Construction Education Foundation of Georgia (CEFGA). In addition, he is on the national committees of Safety and Health and Risk Management for the Associated General Contractors of America.

Notes

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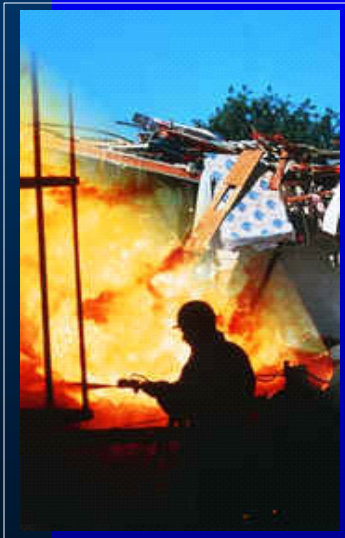
OWNER/CONTRACTOR CONTROLLED INSURANCE PROGRAMS

*David M. O'Haren
Holder Construction Company*

Agenda

- Overview
- "Add Alternate" vs. "Bid Deduct"
- Subcontractor Issues
- Market Advantages
- Coverage Issues
- Other Issues

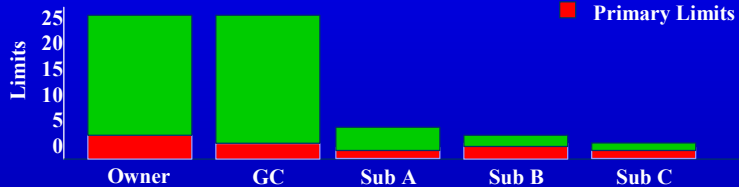
What is a Wrap-Up?



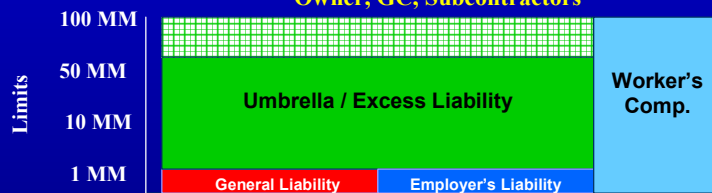
Controlled Insurance Program that covers the on-site risk of the project owner, general contractor, and subcontractors.

Traditional Insurance versus Wrap-Up

Traditional Program



CCIP Program



Coverages Included / Excluded

Excluded

Automobile
Builder's Risk*
Professional
Pollution
Off-Site GL & WC

On-site Workers Comp.

On-site General Liability

Employers Liability

Excess Liability (Umbrella)

*Note: Builder's Risk is not included as a CCIP/OCIP coverage but is typically purchased in connection with the program.

The Benefits of a Wrap-Up

- ✓ Increased Limits
- ✓ Comprehensive / Enhanced Coverage
- ✓ Single Insurance Source
- ✓ Minimized gaps in coverage
- ✓ Reduced duplication
- ✓ Minority Participation

Add Alternate vs. Bid Deduct

Add Alternate

- Bid excludes the cost of insurance
- Subcontractor provides an “Add Alternate” worksheet indicating the insurance cost excluded from the bid.

Add Alternate

Appendix A - Insurance Premium Information Form

Important: This form must be completed by each subcontractor of any tier and returned with corresponding bid documents and every change order.

I. General Subcontractor Information				
Subcontractor Name: _____				
Federal ID#: _____				
Subcontractor Address: _____				
Phone Number: (____) _____				
Contact Name: _____				
Subcontractor To: _____				
Contract Amount: \$ _____		Total Payroll Estimate: \$ _____ <small>(including your subcontractors)</small>		
Anticipated Start Date: _____		Anticipated Completion Date: _____		
II. Your Workers Compensation/Employer's Liability Premium Estimate - Excluding Your Subcontractors <small>(Please see your current WC Policy for WC codes and rates)</small>				
WC Classification	WC Code	Rate/\$100 x	Your Project-Site Payroll Estimate	Premium
1.		X		= \$
2.		X		= \$
3.		X		= \$
Total Workers Compensation Premium				= \$
Employer's Liability Increased Limit Premium				+ \$
Total Workers Compensation/Employer's Liability Premium				= \$
Experience Mod				X
Total Modified Premium				= \$
III. Your Liability Insurance Premium Estimate - Excluding Your Subcontractors <small>(Please see your GC and excess policies for rates)</small>				
	Rating Basis <small>(i.e., Payroll or Revenue)</small>	Rate X	Your Project-Site Rating Basis Estimate =	Premium
General Liability <small>(Including Completed Operations)</small>		X		= \$
Umbrella/Excess Liability		X		= \$

Add Alternate vs. Bid Deduct

Bid Deduct

- Bid includes the cost of insurance
- Sub completes Insurance Checklist and provides required documentation
- Owner/Contractor calculates the subs' cost of insurance
- Deductive Change Order issued for cost of insurance

Bid Deduct

Insurance Checklist		
<i>I. General Subcontractor Information</i>		
Project Name:		
Subcontractor:		
Scope of Work:		
Contract Value:		
Contact Name:		
Address:		
Phone Number:		
Fax Number:		
Email Address:		
<i>II. Required Documents</i>		
Please provide the following documents:		
<input type="checkbox"/>	Workers Compensation policy; rate page for Georgia	
<input type="checkbox"/>	General Liability; policy; rate page	
<input type="checkbox"/>	Umbrella policy; rate page (if volume based, provide volume based)	
<input type="checkbox"/>	NCCI Workers Compensation Modifier worksheet	
<input type="checkbox"/>	Copy of Self-Insured Insurance Program, if applicable	
<input type="checkbox"/>	Copy of Worker Compensation Retrospective policy, if applicable	
<input type="checkbox"/>	Copy of current certificate of insurance	
<i>III. Payroll Estimate</i>		
	Workers Compensation Class Code	Estimated Payroll

Subcontractor hereby warrants accuracy of the information provided above and attached and agrees that failure to do so may constitute may nullify the subcontractor's policies, payroll, or other records to confirm accuracy.

Signed By: _____ Date: _____



Subcontractor Issues

- What's in it for me?
- Don't know how to calculate the cost of insurance.
- All good jobs are taken out of corporate programs.
- Consistency among General Contractors and Owners
- Incentive

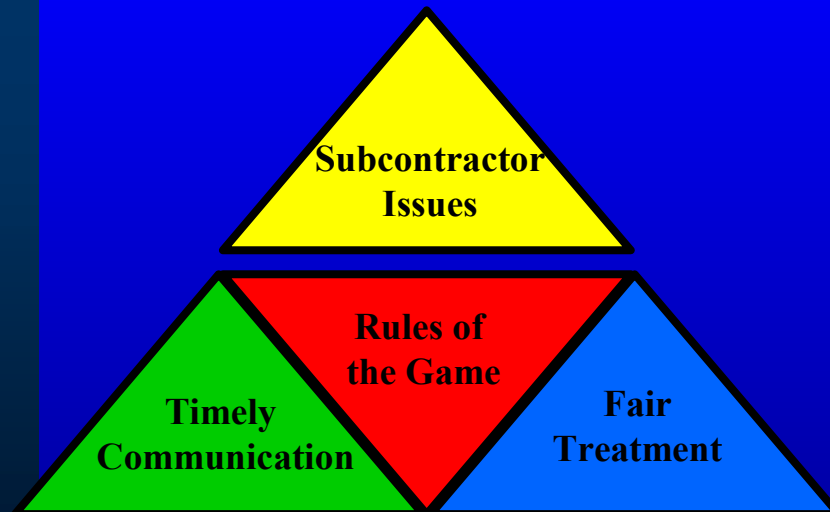
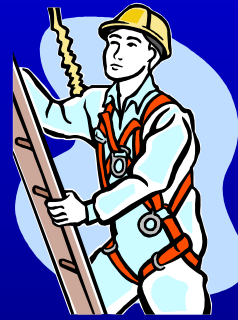
Subcontractor Issues

Loss of Control

- Insurance (Exposure)
- Safety
- Claims
 - Drug Testing
 - Return to Work

Subcontractor Issues

- Safety & Claims Profiling
- Exclusion from wrap-ups



Market Advantages

- ❑ Single Source
- ❑ Buying Power
- ❑ Reduced Duplication
- ❑ “Rolling” Programs



Market Advantages

- ❑ Historical Comparison
- ❑ Loss Ratios

	%
Traditional	± 100%
Wrap-Ups	± 30%

Market Advantages

- * Dispel the Extraction Savings Myth
- * Advantages is in Safety/Loss Fund

Coverage Issues

EIFS

Mold

**Construction
Defects**

**Terrorism
Underwriting
Criteria**

Excess Layers

**Completed
Operation
*Statute of Limitations***

Other Issues

- ❑ Smaller Projects
- ❑ Rolling Programs
- ❑ Drug Testing
- ❑ Fall Protection
- ❑ The Administration “Snow Ball”